

GENERAL INFORMATION

Purchasing credit that was previously withdrawn, credit for military, out-of-state service, Peace Corps, leave of absence, substitute, part-time, or fractional service can increase your retirement annuity.

Credit and cost statements are prepared upon your request, with the purchase of the service being optional. The Kentucky Teachers' Retirement System (KTRS) can accept lump sum payments. Installment payments on certain types of service credit purchases are possible via payroll deduction through your employer or by bank draft with interest calculated at eight percent (8%). Service credit cannot be used in calculating retirement benefits unless payment has been made before the effective date of retirement. You should have your service credit payments to KTRS at least 60 days prior to the effective date of your retirement. If you die while in service, your beneficiary has the privilege of purchasing these types of eligible service credit. When a purchase is delayed, your cost increases, and your eligibility for purchase may change. No service credit shall be granted in the Kentucky Teachers' Retirement System for service that has been or will be used in qualifying for annuity benefit payments from another retirement system financed wholly or in part by public funds.

INSTALLMENT PAYMENTS

Certain types of service credit purchases are eligible to be set up on an installment payment basis. Payment is made through payroll deduction by your employer or by bank draft. Service credit purchases may be spread out over a period of time from twelve months to sixty months. In order to initiate an installment payment plan, members need to make a written request to KTRS for an estimate to purchase service credit by making installment payments.

REINSTATEMENT OF WITHDRAWN ACCOUNT

If you are an **active contributing** member with current service equal to one year, you may regain service credit that has been withdrawn from KTRS. After the cancelled service is reinstated, your membership status is the same as if the account had not been withdrawn.

COST: You must repay the amount withdrawn plus eight percent interest compounded annually from the date of withdrawal to the date of redeposit.

SERVICE VERIFICATION: A statement of service credit and cost will be furnished to you upon request. Please furnish your Social Security number and identify the service that you wish to reinstate. If you are a member of the KERS, CERS, SPRS, etc. with the necessary service credit, you may reinstate your account in KTRS. You must complete a new membership application.

CURRENT LEAVE OF ABSENCE

You may pay contributions while on current leave of absence in accordance with the provisions of the statutes at the time the leave is granted. The leave must be granted by the governing board of the school district or institution. The leave must be certified to KTRS by the employing district or agency, and contributions must be paid by June 30 of the fiscal year following the year for which the leave was granted. Interest is charged on leaves purchased during the year following the year in which the leave occurred. Members are limited to the purchase of three (3) years leave of absence in a ten (10) year period.

NON-CURRENT LEAVE OF ABSENCE

You may be eligible to purchase service credit for a non-current leave of absence when the leave was granted for health reasons, child rearing, or to improve your educational qualifications. A non-current leave of absence is a leave that has occurred since July 1, 1964 and prior to the fiscal year preceding the current fiscal year.

The leave must be certified to KTRS by supplying a copy of the board minutes which granted the leave. You shall pay the required contribution based upon the annual salary received for the year immediately preceding the leave plus 8% interest compounded annually from the beginning of the fiscal year following the leave of absence and by depositing an amount equal to this total in the state accumulation fund. You cannot receive credit for more than two years under this provision.

FRACTIONAL SERVICE CREDIT

If you are employed as a regular full-time teacher but, for some reason, actually work less than the regular contract year, you will receive a proportionate fraction of a year of service credit. If your employment continues for seventy percent of a regular contract year or more, but less than the full year, you have the privilege of making a personal contribution which will provide a full year of service credit. If your employment began after the start of a contract year, you are not eligible to purchase credit from the beginning of the fiscal year until the time of your employment. All such payments must be made by December 31 following the fiscal year in which the fractional service occurred.

MILITARY SERVICE CREDIT

Prior Military and Public Health Service

You may receive service credit for up to six (6) years of active military service or service in the commissioned corps of the Public Health Services if you are in active contributing status, were in the military or Public Health Service prior to your employment in a position covered by KTRS, and purchase the credit prior to retirement. Service may be credited only if the discharge was honorable. To obtain a statement of cost and service credit, send KTRS an official copy of your DD Form 214 or other official military records establishing your dates of entry and release from active duty. KRS 161.507(4)(a) requires you to contribute 100% of the actuarial cost of each year of military service credited. Prior military service is considered Kentucky teaching service, but does not count toward vesting your account. If you are drawing or eligible to draw retirement benefits for twenty (20) or more years of active duty military service, you are not eligible to purchase military service credit. No credit shall be granted for service which is being used to qualify for annuity benefits from another retirement system financed wholly or in part with public funds.

Military Service After Becoming a Member of KTRS

You may also receive service credit for military service that occurs after you become a member of KTRS if you

give your employer advance written or verbal notice of performing military service and you return directly to covered employment following the military service. Contributions are based upon the salary you would have earned during the period of your absence for military service plus interest at eight percent (8%) per annum.

If you are drawing or eligible to draw retirement benefits for twenty (20) or more years of active duty military service, you are not eligible to purchase military service credit. No credit shall be granted for service which is being used to qualify for annuity benefits from another retirement system financed wholly or in part with public funds.

In addition to state law, the Uniformed Services Employment and Re-employment Rights Act ("USERRA") provides federal guidelines for continued participation in KTRS while you are on active duty. KTRS can provide you only with very limited, general information regarding USERRA as this is a federal law subject to federal amendment and interpretation. Therefore, you should always contact the federal authorities charged with the administration of USERRA if you have any questions regarding its application to your individual circumstances. The National Committee for Employer Support of the Guard and Reserves maintains a USERRA website at www.esgr.org. You may also contact their toll-free number at (800) 336-4590 and ask for Ombudsmen Services.

OUT-OF-STATE SERVICE CREDIT

If you are an active contributing member of KTRS with at least one year of KTRS service subsequent to the latest out-of-state service and you contributed to KTRS prior to July 1, 1976, you are eligible to purchase credit for up to ten (10) years of certifiable out-of-state service performed in a public school or United States Government Dependency School. If you entered KTRS on or after July 1, 1976, you may purchase one (1) year of out-of-state service credit for every two (2) years of Kentucky service completed. Members who joined the System on or after July 1, 1976, and have completed ten (10) years of Kentucky service, may purchase credit for up to ten (10) years of acceptable out-of-state service.

You may purchase retirement credit for out-of-state teaching service rendered under contract in public schools in another state, or service performed at the University of Kentucky, University of Louisville, and Northern Kentucky University. Members may purchase out-of-state teaching service by paying the member and the employer contributions for the out-of-state service based upon the member's first salary in a KTRS covered position following the out-of-state service. Accrued interest must also be paid on these contributions. Out-of-state credit counts the same as Kentucky service when calculating your retirement benefit, but it does not count toward the five (5) years of Kentucky service required for vesting. Members may use out-of-state service to qualify for twenty-seven (27) year retirement by paying an additional charge. The additional charge is computed by multiplying 8% times your final average salary at retirement for each year of out-of-state service that is qualified. Members age sixty (60) or older are not required to pay the additional charge, unless out of state service is used to qualify for the three (3) year final average salary formula. In this case, members are required to make the qualifying payment at retirement. Credit will not be granted for service which is being or will be used in qualifying for annuity benefits from another state.

If you wish to obtain retirement credit for out-of-state service, you must have your former employer certify your service to KTRS on forms prescribed by KTRS. Upon receipt of the certification, KTRS will notify you concerning the amount of service you may purchase and the cost. Out-of-state service may be purchased at any time by an active contributing member. However, interest charges increase monthly.

NON-QUALIFIED SERVICE CREDIT

An active contributing member who has a minimum of twenty (20) years of service credit may purchase up to a maximum of five (5) years of service credit not otherwise provided for in KTRS statutes and which meets the definition of non-qualified service as contained in federal law. At the time of retirement, the member is required to pay the full actuarial cost of any benefit enhancement derived from the usage of non-qualified service credit. The cost for health insurance supplements is included in the calculation of the member's payment of the full actu-

arial cost. Eligible members will be permitted to make estimated cost payments prior to retirement with a settlement when the full actuarial cost is determined at the time of retirement. Members may make the payment on an installment basis. The nonqualified cost formula is reviewed and revised periodically to ensure actuarial soundness.

PERMISSIVE SERVICE CREDIT

Recent legislation was passed to permit active contributing members the opportunity to purchase service credit at retirement for:

- a) Federal Head Start employment;
- b) National Guard or military reserve duty;
- c) Regional community mental health or mental retardation program; or
- d) Service with Federal government.

The statutes requires payment of the full actuarial cost determined at the time of retirement so that the precise monthly annuity increase of the purchased service and the member's age can be identified. Cost factors provided by the System's Actuary must be applied at retirement which will be sufficient to cover the full actuarial cost.

PEACE CORPS SERVICE CREDIT

If you have completed service as a federal Peace Corps volunteer you may be eligible to purchase retirement system credit for your service. Members who are eligible may purchase up to two years of qualifying credit. The cost is determined on the same basis that is used for the calculation of the out-of-state service. To obtain a statement of your cost and purchasable credit, send KTRS a certified copy of your Certification of Peace Corps Volunteer Service. No credit shall be granted for service which is being used in qualifying for annuity benefits from another retirement system financed wholly or in part with public funds.

FEDERAL LIMITS ON SERVICE CREDIT PURCHASES

Section 415 of the Internal Revenue Code has established monetary limits on certain service credit purchases which cannot be exceeded either annually or at retirement based upon member contributions plus the annual annuity of the retiring member according to age at retirement.

ROLLOVERS AND TRANSFERS FROM OTHER ELIGIBLE PLANS

You may purchase certain types of service credit in KTRS as permitted under the Internal Revenue Code by rolling over or transferring funds from another eligible plan. If you are interested in rolling over or transferring funds from another eligible plan, you should contact KTRS for details.

Effective July 13, 2004 through June 30, 2005,
Federal Head Start service will be calculated
using the existing out-of-state formula.

Effective July 1, 2005, the Out-of-State &
Peace Corps purchase formula
will change to the non-qualified
formula at full actuarial cost.

This pamphlet is intended for general informational purposes only. In the event of conflict between the provisions of this pamphlet and the relevant law, the latter will prevail. As the law is subject to change, you should contact KTRS prior to making important retirement decisions.

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WAYS TO INCREASE SERVICE CREDIT



- **REINSTATE A
WITHDRAWN ACCOUNT**
- **OBTAIN CREDIT FOR
LEAVE-OF-ABSENCE**
- **OBTAIN CREDIT FOR
FRACTIONAL SERVICE**
- **OBTAIN CREDIT FOR
MILITARY SERVICE**
- **OBTAIN CREDIT FOR
OUT-OF-STATE SERVICE**
- **OBTAIN CREDIT FOR
PEACE CORPS**